THE OLD AND NEW ECONOMICS OF IMPERIALISM

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Writing forty years ago in the first volume of the *Socialist Register*, Hamza Alavi argued that it was necessary to turn to an analysis of a 'new imperialism', because the 'end of direct colonial rule … [had] not yet precipitated that final crisis which was to see the end of monopoly capitalism and to herald the age of socialism.' Insisting that the key dynamic in the world economy could no longer be captured by the classic theories of imperialism of territorial expansionism in the search for economic outlets, he concluded that

> the principal aim of … the new imperialism is not the export of capital as a means of exploiting cheap labour overseas. It is rather that of concentrating investment at home to expand production in the metropolitan country and of seeking to dominate world markets on which it establishes its grasp by a variety of means …[1]

This insight, at once theoretical and political, remains central to the analysis of the new imperialism today in terms of the systemic reproduction of uneven development and the hierarchical organizational arrangement of the world market through formally equal economic exchanges and political relations between states.[2] By locating imperialism in terms of the law of value and the rule of law, 'consent' can be seen as important as 'coercion' in understanding modern imperialism.

The internationalisation of capital during the long period of neoliberalism since the 1980s has given rise to new patterns and contradictions in the world market and has had profound effects on the institutionalization of state power, the organization of state apparatuses and the relations between states. This has raised three sets of issues with respect to the theory of imperialism: (1) the

patterns of competition and the distribution of power in the centres of capital accumulation, i.e., inter-imperial relations; (2) the mechanisms and patterns of uneven development that reproduce hierarchical relations between dominant and dominated social formations; and (3) the political and cultural relations between, and oppression of, different peoples; or to put it another way, the question of political sovereignty vis-à-vis the development of supra-national institutions of governance. While all three issues remain fundamental to the political economy of the world market today, it is the first that is of chief concern here.

A characteristic of this period of neoliberalism is that political alternatives outside the advanced capitalist bloc have been marginalized. The new imperialism has intensified the relations of domination, in terms of both economic marginalization and geo-political subordination, within the imperialist chain. The emergence of three political-economic zones – albeit zones with great variation of organizational arrangements, from the deep integration of the European Union (EU) to the preferential trading arrangements of North America and the trade linkages formed by subcontracting networks in East Asia – is a key development. But how does the internationalisation of capital affect the organizational forms, competitive rivalries and interdependencies of these three blocs, and, in particular, what are the effects of this on the place of the US as the dominant imperialist pole?

There are today, broadly speaking, two seemingly contradictory views on this, each implying a distinct position on the nature of the new imperialism. The first sees the US as being in economic decline and faced with mounting political rivalry, recalling the classic Leninist theories of imperialism according to which processes of capital valorization and internationalisation soon find expression in geo-political conflicts.[3] The American defeat in Vietnam, the economic turmoil of the 1970s and the end of the postwar international monetary system of Bretton Woods, which had been built on the strength of the American dollar, have all been seen as indications that the limits of American power have been reached. On this view US relative decline continued through the 1980s, as witnessed in faltering per capita economic growth, low productivity advance, 'impatient' capital markets, mounting debt levels across all sectors, and languishing competitive capacity, taking the form of enormous structural current account deficits. The 'rival capitalisms' of Japan and Germany, anchoring the trade blocs of East Asia and Europe respectively, have been seen as zones of ascendant production and organizational innovation – post-Fordist, highly-engineered, flexible technologies and networked conglomerates superseding American mass production and vertically-integrated corporations. European, and at times Japanese, opposition to American unilateralism in recent years (military intervention in the Middle East, assertiveness in trade relations and neglect of the Doha Round, recklessness in managing the dollar) has been taken as a sign of mounting political antagonisms between contesting centres of world capitalism.

The other, opposing, view focuses on US economic dynamism (coinciding with the rise of the 'new economy') and contrasts this with a decade of Japanese

deflation and the incoherence of EU, and especially German, economic policy (trapped in the straightjacket of the Stability and Growth Pact and disciplined by the European Central Bank). The relative strength of the US, in this view, is related, as the *Financial Times* puts it, to 'a combination of flexible capital markets and an economic climate conducive to risk-taking [which has] been at least as important as [real] investments themselves... [F]inancial markets should get a lot of credit for forcing money out of traditional management and entrenched corporations.'[4] Financialization and neoliberalism together, in this view, broke the back of US workers' organization and improved the conditions for extracting and realizing surplus value. And the 'Dollar-Wall Street regime' has not only successfully exported the US model to the US-dominated zones, but has also re-established conditions for international accumulation favourable to the advanced capitalist bloc as a whole, and pushed the EU and East Asia along necessary paths of restructuring.

A somewhat parallel division of interpretation has similarly occurred over the form of interdependence in the new 'empire'. One view is that transnational capitalist classes have now fundamentally transcended national interests, so that political sovereignty and economic co-ordination are now effectively global, an 'ultra-imperialism';[5] the other is that the new empire is predominantly a reassertion of US hegemony, a 'super-imperialism'.[6]

These theorisations of the present world economic order have at least cleared away the fog created by the 'globalization debate', with its talk of an equalizing world market and nascent cosmopolitan democracy. Attention has been refocused on material interests and the economic processes underlying the hierarchical arrangements of the world market. But they have left unresolved the opposition between these alternative interpretations of the trajectory of US power and the juxtaposition of rivalry and unity that characterises the new imperialism. As a result the persistent underlying contradictions of the world capitalist economy, and the US role in these contradictions, continue to be taken as signs of either the terminal decline of US power, or its opposite. In reality, however, economic internationalisation during this period of neoliberalism has been marked both by continuing competitive rivalry among the leading capitalist powers, and by growing economic interpenetration among capitalist firms and political interdependence between capitalist states. Contemporary imperialism, then, is an expression of the expansionist tendencies of capital to internationalize and constitute a world market for its valorization, while simultaneously differentiating itself into units located in states where class power and the production of value are materialized. There can be neither capital accumulation nor imperialism without states, or without the uneven development and relations of domination between states within the world market. Capitalist imperialism, on this reading, inherently involves contradictions between conflict and co-operation – what Harry Magdoff referred to in the 1990s as the 'centrifugal and centripetal forces … at the very core of the capitalist process'[7] – and between competitive economic rivalry and interdependency in the world market.

CAPITALIST EXPANSION AND THEORIES OF IMPERIALISM

Capitalism is defined, in its simplest determinations, by a continual process of transformation of commodities and social relations in time and space in the pursuit of surplus value. In oft-cited comments in the *Grundrisse* Marx notes that 'while capital must on one side strive to tear down every spatial barrier to intercourse, i.e., to exchange, and conquer the whole earth for its market, it strives on the other side to annihilate this space with time … The result is: the tendentially and potentially general development of the forces of production … as a basis; likewise, the universality of intercourse, hence the world market as a basis.'[8] For Marx, the appropriation and production of value and commodities through the exploitation of labour takes place in spatially specific places of production, yet the circulation of commodities and the distribution of value in exchange flows is potentially not bound to any particular place. These two simple propositions have two important consequences. First, capitalism is inherently expansionary in a double sense: competition continuously compels firms to increase the productivity of labour by technologically developing the means of production and reorganizing work, and to seek out new markets and new sectors for the production and realization of the new value added. Second, particular places of production – as both class relations and state forms – are always implicated in a wider set of social relations, exchange flows and competitive imperatives.

Marx insisted that the extended reproduction of capital was not the consequence of the harmonious interaction of autonomous individuals and firms acting upon an inherent human nature of self-interest as market opportunities emerge. Rather, the patterns of reproduction of social relations are always specific, conflictual and transitory: they arise from the exploitation of workers and the competition over the extraction of value at the point of production, and in the competitive struggle between 'many capitals' over the realization and distribution of value in circulation. This competition drives a continual revolution in the forces of production and the circulation of capital. This is what Marx meant when he wrote that 'the tendency to create the world market is directly given in the concept of capital itself.'[9] As David Harvey has pointed out in excavating this aspect of Marx's thought, the tendency to expansionism raises an important real contradiction.[10] The extended reproduction of capital must attain a certain 'coherence' and 'materialization' in time and space if capital is to valorize itself and accumulate, but the space of capital is continuously altering across time by shifting production processes, 'condensing' distances from new transportation and communication methods and ceaselessly seeking out new markets. There is a continual process of valorization and devalorization of the fixed capital complexes and social relations in different social spaces as productive capacities, competitive position and exchange relations evolve. An inescapable contradiction exists in capitalist social relations between the fixity necessary for the production of value and the fluidity of circulation of commodities and money-capital in the pursuit of augmented exchange-value.

In Marx's theoretical abstraction, the competitive imperative to accumulate by 'capital as a whole' is registered in the circulation of commodities in the world market. The transformations within and between places of production as a consequence of competition between 'many capitals' are, however, sources of emergent interdependencies and competitive tensions – and even potential chaos – in the world market only in specific historical contexts. So, for example, Marx argued that international trade and the export of capital counteract downward pressure on the profit rate by lowering the costs of the materials for constant capital, cheapening the necessities of life and thus enabling the lowering of wages, and by increasing the scale of production. Thus competitive imperatives compel the internationalisation of the circuits of money, productive and commodity capital. The international circulation of capital, in turn, 'dissolves' pre-capitalist societies and leads to differentiated forms of colonialism, varying in their forms of coercion and settlement but integrated into a world market increasingly governed by capitalist imperatives.[11] Marx looked at this process as the 'historical mission of the bourgeoisie', but one not without ambiguities, for what unfolds is 'a new and international division of labour, a division suited to the requirements of the chief centres of modern industry springs up, and converts one part of the globe into a chiefly agricultural field of production, for supplying the other part which remains a chiefly industrial field.'[12] Moreover, 'unequal exchange' within this emergent division labour might accentuate geographical differentiation, since trade between countries of different productivities of labour and compositions of capital would entail transfers of value and surplus profits.[13]

In this context the nation-state appears, on the one hand, as a historically-specific institutionalization of class relations and, on the other, as a mediator of the wider set of relations of differentiated accumulation established by the world market. This is the sense in which, for Marx, the state is 'the form of organization which the bourgeois necessarily adopt for internal and external purposes, for the mutual guarantee of their property and interests.'[14] But if the extended reproduction of capital implicates the state in establishing the framework of property relations for competition, the valorisation, devaluation and internationalisation of capital also draws the state in more directly as the effects of competition are partly displaced into politics. As a result the state necessarily defends the capital that has been invested in its territorial domain so that this capital, and its attendant social relations, can be valorized. It does so not so much to defend an enclosed 'national space' as to safeguard particular capitalist interests in both their local and global dimensions. Thus, for Marx, the competitive imperatives that tend to equalization and the internationalisation of capital in the world market also constitute a differentiated network of concrete labour processes, competing capitals and hierarchically-organized nation-states.

But while Marx identified the competitive imperatives of capital accumulation that form the basis for the economic divisions of the world market, he did not propose any theory of imperialism to explain the competitive processes or the forms of interdependence and rivalry between states that the divisions of the

world market generates. The classic theories of the economics of imperialism that emerged during the Second International, however, could not avoid trying to frame such a theory.[15] They started with two key guiding theses: that competition compels monopolisation and the internationalisation of specific circuits of capital; and that the territorial bases of inter-firm competition are transposed into inter-state rivalry and conflict amongst the imperial powers. Luxemburg, for example, argued that capitalist social relations restricted the basis for realization and thus necessitated the search for external trade outlets in pre-capitalist societies. In contrast, Hilferding contended that competition in 'organized capitalism' was characterized by banks fusing with industry to form finance capital which, in turn, exported capital in search of markets for investment and trade. For Lenin, the export of capital defined imperialism as the monopoly stage of capitalism, wherein competition between rival monopolistic firms is transformed into inter-state conflict over control of markets and territory. In opposition to Kautsky, who had suggested that the cartels and national states might co-operate in a policy of ultra-imperialism, Lenin insisted that uneven development compelled continual monopolistic competition and inter-state conflict. It was only Bukharin, however, who saw that the 'world economy as a system of production relations and, correspondingly, of exchange relations on a world scale' produced not one but two tendencies forming imperialism. As he put it, 'together with … the internationalisation of capital, there is going on a process of "national" intertwining of capital, a process of "nationalising" capital.'[16]

Whereas the classical theories centred on excess competition leading to the export of capital and imperialist rivalry, a 'new imperialism' debate in the late 1960s and early 1970s focused on the circulation of capital internal to the imperialist bloc changing relative competitive capacities and reinforcing new patterns of uneven development.[17] For Mandel, the US predominance during the postwar period was being challenged as Japan and Germany (with the latter aided by the broader fusing of European capital through an emerging supra-national European state) re-established their productive capacities to contest the US share of the world market and its capital exports.[18] For Petras and Rhodes, on the other hand, US hegemony was re-consolidating through its dominance in international finance, superior access to natural resources, military power and the weakness of US labour.[19] But as others engaged in this debate pointed out, the issues at hand could not be left in terms of competitive capacities as determined by indices of capital export and the classical conceptions of inter-state competition. The new characteristics of the internationalisation of capital – multinational corporations (MNCs) and the international expansion of the total circuit of capital – also posed the limits and conflicts over the organization and allocation of state functions in the new phase of imperialism.[20] Indeed, this underlay Poulantzas's insistence that the internationalisation of capital should not be understood, as in the classical theories, as a quantitative relationship between two external entities – an integral state and an externally-imposed foreign capital seeking to exploit it. Rather, starting from his understanding that the state is not a set of institutions

apart from capital, Poulantzas saw the internationalization of capital in terms of the changing nature of the power bloc and 'the internalized transformations of the state itself.'[21]

These contesting theorisations of the internationalisation of capital, which have again come to the fore with the consolidation of neoliberalism and the re-assertion of an explicit American imperialism, explain why there is no single Marxian theory of imperialism. To at least avoid talking past each other, it may help to focus on the following seven dimensions in attempting to conceptualise the economics of the new imperialism.

(1) *Interdependence and differentiation*. The tendencies toward equalization and differentiation identified by Marx mean that competition between geographical spaces of accumulation and hence uneven development are inherent to the capitalist world market. These processes, while creating global interdependence, simultaneously partition the imperialist bloc from the dominated bloc, and also make differentiation an attribute of inter-imperial relations.

(2) *International competition*. The competitive struggle between firms in particular places of production as a consequence of the intensification, concentration and centralisation of production and the internationalisation of circulation is a constitutive aspect of capitalism. The local and particular forms of value production are connected with the abstract and universal flows of money in the world market. International competition, therefore, as a central, and historically specific, aspect of inter-imperialist relations, is likely to increase as capitalism develops.

(3) *Competition through states*. The competition between 'many capitals' makes for multiple power centres and their materialization in a state system. This was Bukharin's fundamental insight: capitalist expansionism is characterized by processes of both internationalisation and nationalisation (i.e., state-building). In this sense, international competition does not occur apart from or against states, but through states.

(4) *The 'internalisation' of foreign capital*. The tendencies to intensification, concentration and centralisation of capital all increase the scale of operations, the technical division of labour and the territorial complexity of capitalist firms. MNCs have a 'home' base in that the dominant agents who possess and allocate these assets have a specific location, but they also become important agents of accumulation in the places they invest in. This process of internationalisation tends to deepen international competition as places of production must compete for funds internally allocated by firms. Moreover each state gains an interest in protecting and attracting fixed capital investments while advancing an interest in inter-state co-ordination to sustain the international circulation of capital. It was Poulantzas's point that foreign

capital should not be thought of as an external imposition, for at certain points it forms an 'internal bourgeoisie' within the power bloc. In this case, as opposed to a 'national bourgeoisie' organizing a national economic space for itself, the state actively reproduces, ideologically, politically and through competitive supports, both domestic and foreign capital.

(5) *Internationalisation and the circuits of capital.* The internationalisation of capital takes the form of the expansion of the circuits of productive, commodity, speculative and money capital, each entailing different modalities of uneven development, competition and interdependence. Different phases of internationalisation will be dominated by different circuits and hence uniquely configure the patterns of international competition.

(6) *The internal reorganisation of states.* As the state ensures the extra-economic conditions necessary for accumulation and social reproduction, the internationalisation of capital will affect the social form and organization of the state. Internal economic policy apparatuses will become increasingly subordinate to those dealing with the internationalisation of capital, particularly to ensure the stability of the currency and its role in international circulation. Thus the entire state will be conditioned by international competition, what Leo Panitch has referred to as the internalisation and mediation of international accumulation by the state.[22] The capacities of each state to mediate international competition will be determined by its administrative and diplomatic capacities, its place in the imperialist chain and internal class relations.

(7) *Contradictions in inter-imperial relations.* The unity and contradictions in the international circulation of capital mean that conflict and co-operation, competitive rivalry and interdependency, are equally embedded in the world market. To the extent that the circuits of capital in states are internationalised, and thus dependent on the world market for their self-expansion and realization, both increased international competition and interdependency will be present. Inter-imperial relations will register this contradiction. But only in particular historical moments will inter-firm and inter-state competitive rivalries spill over into imperial rivalry in the sense of conflict over political leadership of the imperialist bloc.

INTER-IMPERIALIST RELATIONS AND THE WORLD MARKET TODAY

One implication of what has just been said is that while general competitive imperatives always operate, the particular determinants and configuration of inter-imperialist relations vary with specific periods of capitalism. To see some of the particularities of the economics of the new imperialism, three broad aspects of the relations within the advanced capitalist bloc since the end of the postwar

boom need to be considered: the uneven development that has taken place during the 'long downturn' (or more accurately the long slowdown) since 1973; the internationalisation of capital, and especially financial capital; and the emergence of particular patterns of international competition between the three main capitalist zones.

We have to start out by remembering that the advanced capitalist countries are still in the midst of a long phase of slower accumulation relative to the postwar boom.[23] Annual growth rates in the advanced capitalist countries fell from about 4 per cent over the period 1950 to 1973 to less than 2 per cent through the 1980s and they have stagnated further since, with the exception of the US in the second half of the 1990s. This exception did much, of course, to encourage the view of a resurgent US economic colossus able to extend its imperial reach via the neoliberal model. The US has, indeed, been at the heart of the world economy over both phases – thanks to its capacity to extend rapidly the use of 'leading edge' means of production, and to the flexibility of its labour markets, allowing the extraction of longer hours from its workers. Yet both the 'postwar boom' and the 'long downturn' have been periods of economic 'catch-up' with the US for Europe and Japan, in terms of both average productivity levels and per capita incomes. The degree of income closure has been less pronounced and more uneven due to increased hours of work in the US and falling hours elsewhere, but measures such as the various human development indexes that are less reliant on incomes show an even clearer process of sustained catch-up.[24] Whereas after postwar reconstruction the US had a productive capacity and technological capabilities unmatched by either Europe or Japan, today each of the three major zones of capitalist production leads in some sectors in terms of technology, productivity and market shares. This long-term development is indicated in many ways: market capitalization, total sales revenues, export shares, peripheral regions of sub-contracting networks and economic dependency, the consolidation of currency and trade zones, and trade tensions in a host of sectors over the division of production and ownership between the three imperial blocs. The competitive context and the configuration of the world market today is vastly different from the one-sided American economic dominance that defined the postwar Bretton Woods system.

The developments in productive capacity in the key zones of advanced capitalism have also been registered in shifts in the circulation of commodities and money in the world market. In the postwar period, the US supplied liquidity to the world trading system, first through capital exports to finance the trade imbalances of the reconstructing economies of Europe and North-East Asia, and then by printing dollars and borrowing as its own trade balance began to move from surplus to deficit in the late 1960s. The process of catch-up and the resulting dollar overhang meant that the American dollar eventually became unsustainable as a singular hub currency, and the Bretton Woods system came to an end. The world market moved into a quite distinct era: a pure credit money system (in place of the gold exchange system), floating exchange rates (instead of fixed rates),

a range of currencies held alongside gold in central banks to clear trade balances (instead of the dollar alone), liberalization of capital movements (replacing limited controls), and negotiation of adjustment of major currencies between the three emerging economic zones (after a phase of unilateral action).

The economic impasse of the 1970s generated an additional set of concerns: many developing countries ran into trade problems, and credit issued to cover foreign exchange shortfalls soon became an equally large problem of meeting debt obligations and managing capital outflows. Slower growth rates and higher interest rates strengthened financial interests and made it systematically more difficult for governments to maintain fiscal balances; and the American current account deficit, alongside the Asian and European surpluses, proved to be chronic, representing a structural shift in relative trade and competitive capacities between the three blocs. Printing money or issuing either government or corporate bonds to keep trade imbalances liquid became a critical aspect of the flows of the world market: initially to recycle petro-dollars, subsequently to prop up Third World payments deficits and finally to cover the massive current account deficit of the US, and the mounting private and government sector debt. The increasing competition for world market shares for commodities and to attract money-capital, in a context of slower growth, was paralleled by the interdependence of the different zones seeking outlets for commodities in each others' markets, the internationalization of credit flows and claims, and G7 inter-state coordination of their policies in managing the international economy.

By the mid-1980s, then, exchange rate adjustments and capital flows had proven to be both arenas of co-operation and sources of tension, uncertainty and instability as a consequence of structural trade asymmetries and relative shifts in the underlying capacities of the three zones to produce value (this contradiction in turn spurring an explosion in secondary financial markets to hedge risks). The IMF, the World Bank and the G7 – with the US state playing the leading role in each – promoted financial and capital account liberalization as the mechanism to finance trade adjustments and to have foreign exchange markets impose discipline on national economies. The floating exchange rate system arose out of economic asymmetries in the world market and weakness in the dollar during the 1970s. But in the 1980s, while the American trade deficit soared to new heights, the dollar appreciated by some 40 per cent as capital poured in. The Plaza and Louvre accords of 1985 and 1987 attempted to manage the resulting tensions and to bring the dollar down in value against the yen and European currencies. But the subsequent major dollar depreciation amid slow growth left American trade problems no closer to being resolved; and the corresponding appreciation of the yen and European currencies set the conditions for the Japanese asset bubble followed by deflation, and for European stagnation. Nor could these realignments and tensions be contained within just the 'anchor' economies. The bond market swings of 1993-94 and the currency troubles of Spain, Italy, Portugal, Mexico and a host of Third World states were all 'spillover effects', acting directly on their economies and their competitiveness and drastically reducing working class and peasant incomes.

The devaluations of the early 1990s and the slowdown that ensued began a new phase of intensification of international competition, as the dollar hit record lows against the deutschemark and the yen in 1994. The Japanese began attempting competitive devaluations to revive their economy in the face of an asset meltdown; and to offset the EU Stability and Growth Pact in preparation for the single currency, the EU, too, sought room for manoeuvre through currency realignment, while European capital sought foreign assets to diversify risk. From 1995 to 2000 the dollar rose by about 40 per cent on a trade-weighted basis, although this did not restore high growth in either Europe or Japan. Moreover, the resulting inflow of capital and the economic stimulus it gave to the US economy set off a growth spurt from 1995 to 2000, when US growth averaged about 4 per cent a year (much of this was extensive growth in the size of the work force and hours worked, but productivity also moved above the average of 2.6 per cent achieved in the US from 1975-1995, and well above the sluggish productivity growth in Europe and Japan). The 'new economy' euphoria peaked in 2000 with growth at about 5 per cent and stock markets at astronomical record highs across the board.

Despite increases in productivity, however, US capital spending was not exceptional in levels or duration over the upswing, and increases in productive capacity were not registered in the trade accounts, which continued to show record deficits, making the position of the dollar vulnerable, especially with high consumption and corporate mergers being ultimately financed by external debt. Hence the fragility of the 'virtuous circle' of asset inflation, capital spending, productivity increase, and stronger dollar without improved trade performance. Moreover, without supportive growth in Europe or Japan, maintaining such a finance-led virtuous circle of growth in the US proved elusive. Even as Federal Reserve Chairman Alan Greenspan warned of the 'irrational exuberance' of the equity markets while, without seeming irony, also celebrating the 'new economy', the American response to every economic shock, and particularly that of the Fed, added to the structural imbalances. Each market crisis – the Asian and Russian crises of 1997-8, the collapse of the international hedge fund, Long Term Capital Management, and the collapse of internet stocks – was met with additional injections of liquidity to prevent further implosion of interdependent credit markets. This sustained the other affected economies as well as US growth, but at the ever-steepening cost of irrational asset levels, soaring debt loads and an increasingly unsustainable current account balance. With growth turning flat in the US after 2001 a reversal of these processes got under way. But the impact of the US shifting away from stimulating effective demand through tax cuts and credit, in a world market facing deflationary tendencies already entrenched in Japan and taking hold in Germany, has already forced a dramatic about-face from the Bush Administration.

There are, then, many continuing tensions in the 'uneven interdependence' of inter-imperial relations in the era of neoliberalism which can be briefly summarized here under the seven dimensions outlined earlier:

(1) *Interdependence and differentiation.* Since 2000, the alternation of growth and setback between the three blocs over the period of neoliberalism has given way to an 'equalization' of 'differentiated' conditions for slow growth in all three.[25] For the first time since the early 1980s, the advanced capitalist countries, and a good part of the rest of the world, have entered a synchronized recession, with both inflation rates and real GDP growth rates within the advanced capitalist countries tending to 2 per cent or less for 2003. Germany has been growing at less than one per cent since 2001 (the high growth in Europe as a whole in 2000 was largely spurred by the sharp drop in the Euro – this aided exports, but only temporarily). The ECB has cut interest rates from 4.75 per cent to 2 per cent over this period, but its firm commitment to the Stability and Growth Pact has meant that the EU continues to rely disproportionately on new external demand to sustain its sluggish growth. A soaring Euro will further trim growth prospects, and push Germany – which has been growing slower than Japan since 2000 – closer to deflation. Meanwhile, Japan's deflating asset bubble of the 1990s has spilled over into general economic deflation (with its central short-term interest rates at zero). With its growth expected to fall below 1 per cent for 2003, it would face even more difficulties with any strengthening of the yen and weakening of its exports. Although there are signals that East Asia is developing an internal dynamic of growth and trade that is deepening the interdependencies of the region as an economic bloc, it remains export dependent on zones outside the region.

The key sustaining force to the world market has been the US, but it is clearly not out of the recession that began in late 2000, and it has its own deflationary fears as unemployment rates rise to decade level highs and inflation continues to drop. With capital spending never fully recovering through the 1990s, American consumption growing faster than incomes has been critical to US growth. US consumption continues to be resilient, albeit slowing in the amount of additional debt and spending that consumers are willing to take on (although it should be recalled that Japanese consumption also held up in the first years of its asset deflation – but then Japan never had the equivalent of a Federal Reserve Chairman blithely telling people to borrow more against their rising housing values). A correction in personal expenditures in the US seems unavoidable: net worth is down; net debt is up; national savings are down; unemployment is up. Moreover, the Federal Reserve's cutting of interest rates thirteen times since the end of 2000 to a forty-five year low, with the Fed short-term rate dropping from 6.5 per cent to just 1.0 per cent by June 2003, has had no clear impact in stimulating capital spending (although it explains a great deal of the resiliency of personal consumption levels, and the housing market). The deflationary worries have been such that the Fed has been pushing down long term interest rates on Treasuries as well to put as much liquidity as possible into the market. The shift in the US government fiscal position over this period from a surplus of 1.4 per cent of GDP to a projected budgetary deficit of 4.5 per cent is also adding to the stimulus measures. But currency realignment as a result of the dollar's decline and the weaknesses in

Europe and Japan makes prospective sources of world demand outside of the US hard to foresee. The outlook in fact looks awfully gloomy: recession in all three, fiscal weakness and the threat of deflation in all three zones. This is what lies behind the IMF warning that, as with the Asia crisis of 1997, 'the risks of generalized deflation have come to the fore … the global economic situation is now particularly uncertain, with widespread vulnerabilities.'[26]

(2) *International competition*. Rather than being a 'new economy' phase of fundamental transformation of corporate earnings, productivity and accumulation, the late 1990s US recovery followed the path already laid out by neoliberalism, albeit one with even more considerable financial excesses than the standard already set. The late 1990s phase reinforced the uneven interdependence of the world market on the US economy and American power, as the rest of the world relied on the US to be the 'locomotive' of world accumulation. This period may now be exhausted as realignment at some level now seems unavoidable between the three major zones of capitalism, with the peripheral zones of the world market compelled to line up behind one or another of them. This realignment will increase competition between the zones borne out of conditions of economic weakness. The US bloc (including Canada and Mexico) has a deflating asset base, huge capital needs and competitiveness problems at current exchange rates; the EU bloc has a relatively poor productivity performance, high unemployment, stagnant internal demand and external competitiveness sustained by a Euro that used to be weaker than it is now or likely will be in the future; and Japan has deflationary problems, weak internal demand and current account surpluses that would be damaged by any currency appreciation, and thus it has little room for manoeuvre (although there are important strengths in other parts of East Asia, notably China, that may yet offer a different trajectory to the wider zone if dependence upon export surpluses with the US can be lessened, and internal trade linkages deepened.)

Apart from the Japanese deflation, the most visible symptom of the intensified competition so far has been corporate restructuring and governance scandals, particularly in the US.[27] The weakness in the corporate sector is quite extraordinary in its breadth. The telecoms bankruptcies in the centre economies alone have totalled over $100 billion since 2000, the largest portion of this occurring in the US, surely one of the greatest episodes in the failure of market co-ordination ever. The US recorded over $382 billion of assets falling into bankruptcy in 2002, including the astonishing $104 billion collapse of Worldcom, the largest bankruptcy in history. The record levels in the numbers of bankruptcies of public companies that began in 2001 is expected to continue and cut across all sectors beyond the IT disasters. The bloating of balance sheet debt through the 1990s, especially in the US, has left, according to the OECD, a 'capital overhang' of too much capacity from over-investment relative to the growth of demand – 'too much capital had been put in place too soon.'[28] Corporate earnings are clearly down, and further threatened by increasing

exposure to bad debt and risk. Thus the reduction of interest rates to stimulate economic activity has had only limited success in bringing down yields on corporate bonds. Similarly, IPOs (initial public offerings) in the US in 2002 recorded the worst year since 1991, and new stock issues by existing companies have done no better. The interdependence of the world market is reinforcing the slowdown between its different zones and, in turn, fuelling international competition in more slowly growing markets.

(3) *Competition through states*. Unbalanced patterns of commodity trade between countries and structural asymmetries in national current account balances are becoming the key symbols of the impasse in the world market. The US net debtor position arising from its cumulative current account deficits since the 1970s is estimated at some $2.7 trillion for 2002; its deficit for 2002 alone is estimated to come in at between $450-500 billion (approaching the 5 per cent of GDP level that has often triggered payments crises in other countries, a constraint which the US is released from, in part, thanks to the dollar being the main reserve currency). This is mirrored by a build-up of surpluses in the other two key zones, and in particular in East Asia. Even after falling some 30 per cent against the Euro since 2000, the US dollar may still need to fall further to improve the competitiveness of US industry (although this would not necessarily clear the current account, as a low dollar did not do so in the past, and an expansion in the US while Japan and Europe stagnate will compound the dilemmas all around).[29]

These imbalances give rise to two major tensions. First, the US must import capital to the tune of $2.7 billion a day to cover the balance of payments deficit. The rest of the world's creditors must accept the issuance of dollars to cover the debt (which is dollar-denominated) in the hope to eventually purchase, in turn, US goods or assets with the accumulated dollars (i.e., in the hope that the dollars will still purchase equivalent value, an increasingly unlikely prospect). It is not clear, however, that creditors will continue to sustain this process to the same degree. Indeed, with the dollar's slide there are already signs of less capital moving into the US, and of diversification out of US dollars. The US dollar is unlikely, in these circumstances, to maintain its exceptional position as an international means of payment and is likely therefore to lose some of its capacity to earn seigniorage (the capacity to appropriate value without producing value). The economic processes differentiating the three key advanced zones will continue, therefore, to be reflected in the increasing use of regional or 'hub' currencies as well. Second, the political pressures of trade are moving in two directions at the same time as a result of the imbalances: on the one hand, the WTO Doha round, numerous bilateral trade agreements, the FTAA and the US fast track trade authority are deepening free trade; on the other, trade protectionism is systematically surfacing, especially on the part of the US, in steel, agricultural goods, lumber, automobiles and other sectors. Continued trade liberalization can contain these tensions by deepening the interdependencies of the world market but only by realigning the existing rivalries and imbalances that promoted free

trade in the first place. The path of adjustment remains clouded, however, because of the hierarchy of power within the world market.[30]

(4) *The 'internalisation' of foreign capital.* MNCs are the dominant agencies organizing the internationalisation of capital. They internalise co-operation and competition in their operational structures through the increasing specialisation and intensification of capital through technological development and intra-firm trade. Through the 1990s, some 75 per cent of the stock of foreign direct investment (FDI) was located in the advanced capitalist countries, and these countries also accounted for about 80 per cent of all outflows of FDI and about half of all inflows.[31] The capitalist alliances that MNCs embody take many forms including direct investment, mergers and acquisitions, joint investments, sub-contracting relations and the internationalisation of share ownership. And FDI is now generalised across all sectors and not limited to banking or manufacturing corporations. In other words, the export of capital is in the first instance an issue of inter-imperial relations.

The period of neoliberalism has significantly transformed the nature of the interpenetration of capital. Notably, after recording over half of all FDI globally over the postwar period, the US now accounts for only about a quarter of FDI stocks, and has an equal amount of FDI resident in the US. By 2002 the US stood as the world's largest recipient of FDI as well as its largest investor.[32] In contrast, Japanese and German FDI has grown significantly, from about 1 per cent of world FDI in 1960 to about 11 and 9 per cent respectively by 2000. Although increasing, inflows remain much lower in both countries (with Japan still receiving less than 1 per cent of world FDI). Inward FDI is now becoming as relatively important to the US as it is to the EU as a whole.

The need to finance the ballooning US current account deficit has meant, moreover, that funds have flowed in to purchase US financial assets of all kinds. During the new economy boom of 1995-2000, this was partly due to high yields on US assets of all kinds, the view of the US as a 'safe haven' and the use of mounting dollar holdings to purchase US assets. These developments pushed US net foreign assets even further into deficit (a process which began in the late 1980s), to about $-1.5 trillion and approaching a fifth of GDP.[33] With the slowdown, US assets have become less attractive and FDI has slipped, although portfolio investments have continued to flood in to cover the payments deficit. The internalisation of foreign capital within national states is plainly no longer limited to US penetration of European states, but encompasses the imperialist bloc as a whole.

(5) *Internationalisation and the circuits of capital.* The economic slowdown and neoliberalism led to a significant financialization of the economy from the 1970s onwards. Money-capital now takes many forms relatively disembedded from the real economy: foreign direct investment in the form of acquisitions rather than building new plant; vast credit markets; interconnected equities markets; a

massive turnover in currency markets, far outstripping the requirements of commodity trade; and secondary financial markets spreading risks. These developments have, at the same time, tightened the interdependencies of the world market as money and speculative capital moves more freely between different zones of the world, and sharpened rivalries as different production zones compete for financial flows and face competitive disciplines that carry the potential to amplify economic disturbances into major shocks. Slow economic growth has meant that returns to the financial sector have been higher than in the productive sector and thus have drawn capital into the financial sector and made financial capital (rather than governments, even in a minor sense) the central allocator of credit. In the countries of the centre, these processes have meant a transfer of income flows to financial asset holders. In the US, the rise in household and corporate debt and the return of the government to fiscal deficits have vastly increased this transfer.[34]

The contradictions are even sharper for peripheral countries in the world market, particularly the emerging markets that have been blessed by financial capital inflows. To take one of the major economies of the 'south', Brazil maintains exchange reserves of only $20-30 billion, owes some $250 billion in accumulated debt (denominated largely in dollars), and exhibits spreads on Brazilian bonds of over 20 per cent above US Treasury bonds (parallel to Argentinian levels before Argentina's further collapse in December 2001). This requires enormous efforts on Brazil's part to produce the exports needed to service this debt, and threatens the collapse of the *real* caused by a flight of 'hot money' at any sign of economic disorder. Latin America as a whole is in a similar situation, and it has proven quite difficult to contain the spread of 'contagion' from Argentina. The UN Economic Commission on Latin America and the Caribbean concludes from recent studies that the region has gone through yet another 'lost decade' as capital outflows from debt, interest and dividends have exceeded capital inflows in the order of $7 billion a year (about 0.4 per cent of regional GDP) in recent years.[35] This can only worsen as regional GDP is expected to decline with the world slowdown, and the difficulty of penetrating the US with exports mounts as the dollar declines in value.

The deflation of the asset bubble adds another tension between the US and other zones that complicates any path of adjustment in the world market. An estimated $7 trillion and 1000 companies were lost in market valuations in the US alone from 2000 to mid-2002, and $11 trillion world-wide).[36] This is about half the entire market valuation; narrower market indexes are down by similar amounts, with the NASDAQ tech-heavy index down by close to 80 per cent. With the drop in bond yields from interest rate cuts and the major injections of liquidity, the major stock indexes went up by about 25 per cent in the first half of 2003, fuelled more by expectations rather than economic recovery itself.[37] With the price/earnings ratios used to assess market capitalization values again well above long-run average levels (after a boom one would normally expect a longer period of under-valuations), a financial bubble may again be inflating. It

is difficult to find any theoretical or empirical basis for concluding that these levels can be sustained, or that the asset bubble deflation and consequent 'bear market' will not affect the real economy.

There are in fact several reasons to suggest that the unwinding of the asset bubble will take some time and add to sluggish accumulation and deflationary tendencies. First, the financial claims made while bubble was growing are typically based on projections of continued asset growth that are hard to meet after the bubble bursts. Bankruptcies ensue, as the destruction of capital values is required to restore the profitable basis for accumulation. Capital spending is likely to be sluggish until this process is complete (unless the bubble can somehow be reflated, which simply pushes today's problems into tomorrow). Second, the shift that occurred through the 1990s as pensions moved from defined-benefit to self-directed and defined-contribution plans, so as to plough funds into equities, has seriously hurt projected future pension fund returns. Both firms and individuals will have to increase savings to meet future pensions needs. Third, the debt load of households will also have to be addressed, whatever the precise impact of the 'wealth effect' of using inflated asset values to leverage credit, at least to restore savings balances to traditional levels. In the US for 2002, redemptions of mutual funds and other risk-bearing asset classes were outstripping new inflows by billions each month to pay down debt, or to adding to 'cash hoards', although some of these funds are returning to the stock market to catch the latest bubble.

(6) *The internal reorganisation of states*. The internationalisation of capital depends upon constant state intervention. Over the period of neoliberalism the state has internalised international competitiveness as a central objective to mediate between the territorialization of value production and increased dependence upon international circulation. A key parameter in state reorganisation, therefore, has been managing the national economy in a way that exchange rates and balance of payments sustain the internationalisation of the circuits of money-capital. This has placed 'independent' central banks at the apex of the state apparatuses. Even with serious financial imbalances, the Federal Reserve, European Central Bank and the Bank of Japan continue to rely upon interest rate cuts, expansion of private net lending, international capital flows, and an asymmetrical devaluation of the dollar against the Euro (but not the Yen) to spur recovery.[38]

A second dimension has been the state's provision of a hospitable fiscal and social environment to attract new fixed capital investments and protect existing ones, in a context of monetary policy guaranteeing international capital flows. Thus even while allowing fiscal deficits to increase, states have continued to pursue a redistributive strategy of competitive austerity, which makes workers, the poor and the public services they depend on bear the entire brunt of ongoing public expenditure cuts amidst simultaneous and regressive tax cuts. The Bush Administration's 2003 budget proposal, for example, projects a deficit of $400 billion, while further cutting taxes by $350 billion, notably on dividends and

marginal tax rates, and reducing spending on health, education and infrastructure; Germany, in turn, while it will likely breach the stability and growth pact deficit limit of 3 per cent of GDP in 2003, is cutting income and inheritance taxes, and curbing unemployment benefits, job protections and pensions; and Japan is planning a budget deficit of 7 per cent of GDP, while cutting income and inheritance taxes and current expenditures, and continuing with the trimming of labour market protections.[39]

Finally, the internationalisation of state apparatuses to mediate the extension and intensification of the world market is also continuing.[40] On the one side, the processes of regionalisation around the three trade blocs is pushing ahead through EU enlargement, the varied trade negotiations around the Free Trade Area of the Americas, and new co-operation linkages in East Asia. On the other side, new areas of trade liberalization, notably in agriculture and services, remain on the WTO's agenda; and both the IMF and the Bank of International Settlements continue to sponsor new measures to liberalize capital accounts and reform capital adequacy requirements of national banking systems. The reorganisation of the state, then, points to intensification of international competition between states while inter-state co-ordination continues to deepen the world market.

(7) *Contradictions of inter-imperial relations*. The 'uneven interdependence' that has characterised inter-imperial relations over the period of neoliberalism makes these relations quite different from what they were during both the postwar boom period and the crisis of the 1970s. While the US remains at the competitive centre of the world market in terms of productive capacity, command over financial flows, centrality to neoliberal modalities of governance and in its role as 'importer of last resort', it has become dependent upon supportive policies of states in the other key zones for sustaining the internationalisation of capital and the US's unprecedented absorption of the world savings. This uneven interdependence lies behind all the oscillations between inter-state competition and co-operation amongst the imperialist bloc. It has produced – and continues to reproduce – specifically neoliberal patterns of international competition and internationalisation of capital, as well as of domestic and international social relations, that have unified the world market in a way that has prevented the differentiation among the zones spilling over into political conflict over exclusive access to markets. Through the 1990s, the interactions between trade imbalances, financialization and slowdown were resolved 'positively' as the US 'new economy' provided sources of world demand to move accumulation ahead. The adjustment to 'private sector excesses' now threatens to impact 'negatively' on the world market as a whole, without the other imperialist centres being capable of filling the breach.[41] In a context of relative stagnation, neoliberalism is more likely to tighten its hold over the imperialist bloc.

NEOLIBERALISM, IMPERIALISM AND AMERICAN POWER

The internationalisation of capital over the last two decades is not, then, an endless 'spatial fix' for a permanent economic crisis of either the imperialist bloc as a whole or US capitalism in particular. To think in that way recalls the old classical theory of imperialism's focus on outlets for surplus as an external relation. This is misconceived because, on the one hand, it treats the particularity of value production and class relations as distinct from the circulation of capital in the world market; and because, on the other hand, it sees the contradictory relations between the two as symptoms of crisis, rather than as constitutive of the new forms of international competition that have emerged under neoliberalism. This misconception then leads either to a search for more 'coherent' national models of development to oppose the 'American model', or to dire predictions of mounting inter-imperial conflict and crisis over the processes of devaluation that the US is attempting to impose on others.

In fact, neoliberalism has been consolidated as an institutionalised global regime, encompassing particular forms of development, international competition and state 'reform'. The 'internal bourgeoisie' that has become central to the organization of the power bloc of each of the imperialist countries has an interest in sustaining neoliberalism. They have a stake in the 'American model', which needs to be seen not as a foreign import or imposition undermining a defenceless 'national bourgeoisie' (as many opponents of neoliberalism would have it), but rather as a policy matrix that meets the internal class interests of the power bloc within each state in this phase of imperialism. This is partly a matter of their interest in suppressing wage-earners' incomes, to meet international competition; partly a question of the individual stakes of some of the key members of the power bloc in the privatization of the public sector; and partly a matter of the necessity of sustaining the international circuits of capital that have made both the re-investment of capital and its realization more dependent on the world market.

Neither does the internationalisation of capital mean a supercession of contradictions in inter-imperial relations due to the transnationalization of capitalist interests, nor a one-sided economic dependence on US power. International competition today takes the form of the inter-penetration of capital and the securing of extra-national economic space both through the extension of the nation-state system and the formation of multinational economic blocs. Internationalized capital has access to its own 'home' state (and, of course, the supranational institutions that are the product of states), and to the states it invests in as well, with both the 'home' and the 'host' states actively ensuring the extended reproduction of capital, not by opposing international competition but through actively promoting it. The 'uneven interdependence' that characterises the world market in this phase of imperialism means that competitive rivalry does not culminate in geo-military conflict (as Lenin thought), or in particular expansionist policies upon which the interests of all global capitalists can be unified (as Kautsky envisaged). Nor is the world market facing

imminent international crisis from deepening competitive rivalries that can no longer be politically contained.

On the other hand, international competition and economic contradictions between the imperialist centres persists. The period of neoliberalism has, in other words, produced particular forms of 'unity and contradiction in the international circuits of capital' that need to be examined on their own terms. In the old economics of imperialism, the contradictions in inter-imperial relations became concentrated on territorial conflicts to meet expansionist needs for economic outlets for commodities or capital. In the new economics of imperialism, the interdependence and competitive rivalries between the imperialist centres are concentrated in the uneven development of the conditions for the international circulation of capital. As we have seen, the US has supplied the global demand necessary for international circulation, while the rest of the imperialist bloc runs trade surpluses and exports capital back to the US (while the dominated bloc, with some exceptions in East Asia, is squeezed to run trade surpluses to meet credit obligations but not development needs). This reflects, we have argued, the decline in the relative superiority of US capital from what it was in the postwar period (although it remains dominant in both size and capacity); the asymmetrical formation of the continental blocs; and the inter-penetrations of the three blocs through the internationalisation of capital. It is not at all clear how these contradictions in the world market will be resolved, especially given the progressively synchronized economic slowdown in the three blocs.

It is possible, of course, that the US economy will be successfully reflated and again provide the necessary demand for international accumulation. The US has actively used such reflations not just to spur growth, but also to bolster its hegemony. It has used other zones' export dependence on the US to make them deepen their adherence to neoliberalism, which has strengthened the internationalisation of US capital by giving it access to new markets and the purchase of foreign assets. The capital inflows into the US covering financial deficits have, in turn, allowed some measure of restructuring of the US capital stock, especially as accumulation in Germany and Japan has floundered. But without parallel reflations in Europe and Japan the US is likely generate even greater imbalances in personal and corporate debt and international payments, and to reflate asset prices. It is quite unclear how future re-balancing could occur without significant disturbances in the world market, and some re-alignment of inter-imperial relations, including the position of the dollar as almost the sole international currency.

Alternatively, recalling the early 1990s, an adjustment of the US dollar to new levels could continue, with slower growth allowing corrections to internal balances, and the rest of the imperial bloc playing a larger role in establishing world demand, and absorbing net exports from the US accordingly. This is what the US recession in progress since 2001 should be encouraging. But the shift toward reflation and away from export dependency that would be required from the EU and East Asia for this path of adjustment has not been forthcoming. Japan is still in the grip of an asset-driven deflation that a decade of Keynesian fiscal

measures has not compensated for; much of Asia is still underdeveloped and export-dependent; and the Asian currencies (notably, the Chinese renminbi) have all been kept pegged at low values relative to the dollar to maintain export competitiveness. All this has, in turn, left the Japanese spending some 6 trillion yen (over $50 billion) in the first of half 2003 to keep the yen from appreciating and further undermining Japanese hopes of recovery.[42] It therefore effectively depends on Europe becoming capable of absorbing much more of the world's – including the US's – exports, the rise in the Euro reflecting these pressures. It is not at all clear that the EU is politically, organizationally or economically capable of undertaking such a project. The Stability and Growth Pact and the independence and restrictiveness of the European Central Bank have blocked both fiscal activism and any credit-driven reflation. European paralysis in these areas of economic policy-making, while pushing ahead with measures for market flexibility and competitiveness, is likely to endure.

In neither of these two scenarios, however, is there any reason to expect that the modulation in inter-imperial relations they would entail would constitute a break with neoliberalism or the centrality of US power. A stronger Euro, a new EU constitution with an enlarged membership, and moves toward a common security and defence policy may well already be registering these modulations. But it is difficult to see that the EU is proposing any strategic departures, as opposed to mere tactical ones, outside the confines of existing institutions and neoliberal mechanisms for co-ordinating inter-imperial relations.

There is a third more dramatic scenario that cannot be written off as impossible. The recession enveloping the US might simply continue for some time with the correction of US imbalances spilling over into a deflationary cycle from further asset meltdowns and debt hangovers. This would reinforce the already existing deflationary problems of both Japan and Germany. If brutal enough, such a process of radical devaluation might correct US imbalances, although where that might end and how is impossible to foresee. In an earlier phase of imperialism, these processes unleashed the economic disasters of the interwar period as competitive rivalries choked and then broke off the international circulation of capital. But today an attempt at a co-ordinated response would surely be attempted by the imperialist bloc through existing international institutions to cut such an economic death spiral short, and restore some measure of stability, if not full conditions for rapid accumulation.

The uneven interdependence of the world market during this period of neoliberalism has precisely served to avert 'beggar-thy-neighbour' trade wars and sharp devaluations. Instead, policy co-ordination has been pursued within the imperialist bloc to re-align currencies or to inject liquidity at crucial junctures, to reproduce the existing patterns of international competition at the cost of placing ever more fictitious and speculative capital into circulation. If Leo Panitch and Sam Gindin are correct in suggesting that inter-imperial relations today prevent inherent economic contradictions from repeating the past violent clashes of imperial rivals, they are also correct to point to 'the limits that the American

empire ruling through states poses to a strategy of co-ordinated neoliberal growth even among the advanced capitalist countries.'[43] This is because the new economics of imperialism does not eliminate competition: there remains competition as well as unity in the international circuits of capital. Moreover, in conditions of slow economic growth and unused capacity in the world market, competitive rivalry compels each zone of the world to engage in a continual process of innovation, cost-cutting and to internationalise its capital so as to seek out new markets and cheapen production.

Indeed, the reorganisation of states and social relations to foster international competition, in all these forms, has been an integral feature of this phase of imperialism in all three imperialist blocs. State apparatuses are being systematically re-organized around a strategy of 'competitive austerity' – strengthening the economic apparatuses that sponsor the internationalisation of capital while restructuring labour policies to enforce wage compression, pursuing fiscal austerity for social policies while cutting taxes to attract international capital, and so forth. However apparently 'Keynesian' are measures to reflate the economy and hold up conditions for realization through extending private credit and returning to government deficits (while still sacking public workers), it is the redistributional dynamic of working class austerity to enhance international competitiveness that above all governs state policy. The intensification of exploitation in the class relations of the differentiated spaces of the world market is the other face of the internationalisation of capital and the expansion of the world market in this phase of imperialism.

As Alavi pointed out, the new imperialism mandates the incorporation of all zones of the world into a universalized economic system – the formally 'equal' rules of exchange of the capitalist world market and the norms of the nation-state system. The internationalisation of capital has solidified in the imperialist bloc a material interest in sustaining the forms of uneven development and hierarchical organizational arrangements of the world market today. Neoliberalism as a social form of power and class relations, and international competitiveness as its externalized expression, is reproduced in national capitalisms, not against a more 'rational' organization of the world market or as an imposition of the 'American model' on 'European' or 'East Asian models', but as part and parcel of contemporary imperialism. Indeed, even the ruling classes in the dominated bloc can see their interests – both in terms of capital accumulation and the desire to move up the rungs of the imperialist chain – represented in the international circulation of capital, just as colonial and comprador elites of the past did in the old imperialism. This is despite the abhorrent inequities produced by neoliberal structural adjustment policies of cutting consumption for the poor and workers in these countries to improve external competitiveness, while the world's savings flows to finance the profligacy of US consumers and the imperialist bloc as a whole.

How is this sustained? Here lies the importance of Dick Bryan's insight that today 'the contradiction between the internationality of accumulation and the nationality of state regulation is not solved by the subordination of the latter to

the former, but by the role of state policy being recast so that the dominance of global calculation is presented as beneficial for all nationals. In particular, the working class in each nation must be convinced that the pursuit of international competitiveness is an agenda of labor as well as capital.'[44] Whereas the old economics of imperialism politically combined a 'labour aristocracy' with 'imperial projects' through nationalism, the new economics of imperialism internalizes a logic of international competitiveness between workers, firms and states in constructing 'local' and 'national projects' to sustain 'their' space in a globalized world. To undermine that logic, it will be crucial for anti-imperialist struggles today to challenge the ideology and practice of international competition, as universalized in institutions like the WTO and IMF and as particularised in national states and local workplaces. Anti-globalization struggles against the international economic institutions fostering the internationalisation of capital have been an important step taken by the Left in this context. New struggles for 'democratic sovereignty' over the empires of capital, entailing appropriate visions and practices for 'a different kind of state' are necessary next steps. These are the only democratic exit strategies out of neoliberalism and its endless pursuit of competitiveness, that is, out of the economics of the new imperialism.

NOTES

1 'Imperialism Old and New' in *Socialist Register 1964*, New York: Monthly Review Press, 1964, pp. 104 and 123-4.

2 This insight has been developed most by Harry Magdoff in terms of his 'imperialism without colonies' (see his *Imperialism: From the Colonial Age to the Present*, New York: Monthly Review Press, 1978), and by Leo Panitch and Sam Gindin in terms of their conception of 'informal empire' (see their essay in this volume), both writing with respect especially to US imperialism.

3 See: David Gordon, 'The Global Economy: New Edifice or Crumbling Foundations?', *New Left Review*, 168, 1988; Giovanni Arrighi, *The Long Twentieth Century*, London: Verso, 1994; and Robert Brenner, 'The Economics of Global Turbulence', *New Left Review*, 229, 1998. Weberian analyses have been even more insistent about growing economic rivalry, but not nearly as attuned to the power dynamics involved or the contradictory processes of uneven development. See: Jeffrey Hart, *Rival Capitalists: International Competitiveness in the United States, Japan, and Western Europe*, Ithaca: Cornell, 1992; and Robert Boyer and Jean-Pierre Durand, *After Fordism*, London: Macmillan, 1997.

4 'New US Economy Part 2: Winning Ways: Ready Bucks and a Flair for Risk', *Financial Times*, 14 December 1999.

5 Michael Hardt and Antonio Negri, *Empire*, Cambridge: Harvard University Press, 2000; Leslie Sklair, *The Transnational Capitalist Class*, Oxford: Blackwell, 2001; and Stephen Gill, *Power and Resistance in the New World*

Order, New York: Macmillan, 2003.

6 Peter Gowan, *The Global Gamble*, London: Verso, 1999; Leo Panitch, 'The New Imperial State', *New Left Review*, 2, 2000; and Michael Hudson, *Super Imperialism: The Origin and Fundamentals of US World Dominance*, London: Pluto, 2003.

7 'Comments on Imperialism', *Radical History Review*, 57, 1993, p. 77.

8 Karl Marx, *Grundrisse*, New York: Vintage, 1973, pp. 539, 542.

9 Marx, *Grundrisse*, p. 408.

10 David Harvey, *The Limits to Capital*, Chicago: University of Chicago Press 1982.

11 See Aijaz Ahmad, ed., *On the National and Colonial Questions: Selected Writings of Marx and Engels*, New Delhi: Leftwords Books, 2001.

12 Karl Marx, *Capital, Volume 1*, New York, International Publishers, 1967, p. 451.

13 Karl Marx, *Capital, Volume 3,* New York, International Publishers, 1967, pp. 237-40.

14 Karl Marx, *A Contribution to the Critique of Political Economy*, New York: International Publishers, 1970, p. 80.

15 For assessments see: Anthony Brewer, *Marxist Theories of Imperialism*, London: Routledge, 1980; Charles Barone, *Marxist Thought on Imperialism*, Armonk: M.E. Sharpe, 1985; and Alex Callinicos, 'Marxism and Global Governance' in David Held and Anthony McGrew, eds., *Governing Globalization*, Oxford: Polity, 2002.

16 Nikolai Bukharin, *Imperialism and World Economy*, London: Merlin, 1972, pp. 25-6 and 80. Also see: Rosa Luxemburg, *Accumulation of Capital*, London: Routledge and Kegan Paul, 1951; Rudolf Hilferding, *Finance Capital*, London: Routledge, 1981; V.I. Lenin, *Imperialism: The Highest Stage of Capitalism*, Peking: People's Publishing House, 1964; and Karl Kautsky, 'Ultra-Imperialism', *New Left Review*, 59, 1970.

17 This was taken up by dependency theorists as well as by new Marxist theorists of imperialism who focused on the peripheral countries.

18 Ernest Mandel, *Europe versus America: Contradictions of Imperialism*, New York: Monthly Review Press, 1970; Robert Rowthorn, 'Imperialism in the 1970s – Unity or Rivalry?' *New Left Review*, 69, 1971; and Jon Halliday and Gavan McCormack, *Japanese Imperialism Today*, New York: Monthly Review Press, 1973.

19 James Petras and Robert Rhodes, 'The Reconsolidation of US Hegemony', *New Left Review*, 97, 1976; and Martin Nicolaus, 'The Universal Contradiction', *New Left Review*, 59, 1970.

20 See Alavi, 'Imperialism Old and New' as well as the essays by Stephen Hymer, Christian Palloix and Robin Murray in Hugo Radice, ed., *International Firms and Modern Imperialism*, New York: Penguin, 1975.

21 Nicos Poulantzas, *Classes in Contemporary Capitalism*, London: New Left Books, 1974, p. 81.

22 Leo Panitch, 'Globalisation and the State' in *Socialist Register 1994*, London: Merlin Press, 1994.
23 This section draws upon: Michel Beaud, *A History of Capitalism, 1500-2000*, New York: Monthly Review Press, 2001; Robert Brenner, *The Boom and the Bubble*, London: Verso, 2002; and Robert Albritton, Makoto Itoh, Richard Westra and Alan Zuege, eds., *Phases of Capitalist Development*, New York: Palgrave, 2002.
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25 IMF, *World Economic Outlook*, April 2003, Washington: IMF, 2003, ch. 1; Stephen Roach, *Deflation in the World Economy*, New York: Morgan Stanley, November 2002; and 'Breaking the Deflationary Spell', *The Economist*, 28 June 2003.
26 *World Economic Outlook*, p. 11.
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28 OECD, *Economic Outlook*, 73, Paris: OECD, 2003, pp. 10-16.
29 Fred Bergsten and John Williamson, eds., *Dollar Overvaluation and the World Economy*, Washington: Institute for International Economics, 2003; and 'Washington's Weak Dollar Policy', *Financial Times*, 20 May 2003.
30 This is exactly what the Bank of International Settlements puzzles over in its *Annual Report 2003*, Basel: BIS, 2003, ch. 8.
31 UNCTAD, *World Investment Report 2002*, New York: United Nations, 2002; Peter Dicken, *Global Shift*, New York: Guilford, 1998, pp. 42-9; and Richard Kozul-Wright and Robert Rowthorn, eds., *Transnational Corporations and the Global Economy*, London: Macmillan, 1998.
32 UNCTAD, *World Investment Report* 2002, p. 37.
33 Maddison, *The World Economy*, pp. 135-7. In contrast, Germany and especially Japan have surpluses on their net assets.
34 See: 'The Debt Bomb', *Barron's*, 20 January 2003; and 'The True Cost of Hegemony: Huge Debts', *New York Times*, 20 April 2003.
35 ECLAC, *Latin America and the Caribbean in the World Economy, 2000-1*, Santiago: ECLAC, 2002.
36 Based on the Wiltshire 5000 index of all publicly traded companies: see 'Hold on for a Wild Ride', *New York Times*, 21 July 2002.
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